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NOTES

CONSOLIDATION OF PUBLIC UTILITIES IN OHIO

The amalgamation of large franchise interests, which has been a not at all infrequent spectacle in the East, is to all appearances in its preliminary stages in Ohio. The movement involves first the consolidation of the chief public utilities of Cleveland and Cincinnati under one head, and thereafter the assimilation of the already separately unified interests of Toledo and Columbus. Presented geometrically, it describes a grand triangle over the entire state, with Cincinnati, Cleveland, and Toledo at the vertices and the capital city Columbus appropriately equidistant within.

As the initial step in the Cleveland phase of the movement, it seems certain that the illuminating and traction interests of the city will join hands. In the first place, a comparison of the boards of directors and leading stockholders of the two companies involved reveals a striking community of interests. The case of Mr. Horace E. Andrews is typical of this identity; he is both president of the Cleveland Railway Company and chairman of the board of directors of the Cleveland Electric Illuminating Company.[1] Secondly, throughout the eight-year struggle of the traction company to maintain itself against the low-fare campaign of Mr. Johnson, the electric light concern has been anything but a passive bystander. Reports have repeatedly reached the public ear concerning aid and comfort given to a distressed brother-in-arms. In the 1908 referendum over the "security grant," Mr. Samuel Scovil, vice-president and general manager of the Illuminating company, threw off all disguise and openly took the stump against the grant, going so far as to invade one of Mr. Johnson's tent meetings and engage him in a warm controversy over the merits of the measure. Thirdly, the recently announced intention of the Cleveland Railway Co. to purchase a considerable quantity of its motive power from the Illuminating company is generally regarded as an additional tightening of interests precedent to amalgamation. Fourthly, the unexplained

[1] Since this article was written Mr. Andrews has resigned from the presidency of the railway company. His interests and holdings, however, still remain the same.

cessation of competition on the part of the Cuyahoga Light Co., the Illuminating company's chief competitor, and the withdrawal from management of its president, Mr. John F. Keys, the erstwhile nemesis of the larger concern, have cleared the field of all competitive opposition. And finally, the action last summer of the Illuminating company in announcing the issuance of $30,000,000 of bonds, to be floated in the next few years, completes the chain of evidence supporting the theory of consolidation. As the present capitalization of the Illuminating company is only $6,500,000, and as the first section of the new issue is to be devoted to the retirement of old bonds, it is obvious that so tremendous a sale is hardly to be undertaken in behalf of a single enterprise. For before the total issue can be marketed, a corresponding $30,000,000 of stock, according to the laws of the state, must be legally authorized. Such an issue, however, is quite out of the question. Even conceding a continuation of the present prosperity of the Illuminating company, it is hard to believe that it can attain in the next fifteen years a custom sufficient to justify a fivefold expansion of its present capitalization. A doubling of the present stock once every three years would thereby be demanded, an occurrence probably without precedent in American public utilities history. On the contrary, the series of developments just described, happening within the last few months, points to the more credible hypothesis of a conjunction of the two dominant companies mentioned.

But the Cleveland alignment we have been suggesting in no way compares to the local consolidations that have already occurred in the other three cities of the state, and that are in active contemplation for the near future. It is these that furnish the strongest foundation for the theory of state-wide consolidation. The leading incidents of these groupings is herewith given in outline.

In 1906, the Columbia Gas & Electric Co. was incorporated in West Virginia for the purpose of doing business in Ohio. One of its first acts was to absorb the Union Gas & Electric Co. of Cincinnati, an important competitor. It then commissioned its new protégé to negotiate a 99-year lease of the property of another competitor, the Cincinnati Gas & Electric Co., which was accomplished. The leasing appetite persisted, and on April 1, 1907, the Columbia directors closed a 90-year lease of the property of the Cincinnati, Newport & Covington Light & Traction Co., thereby gaining partial control of the traction situation in Cincinnati and complete

control in her two suburbs. By this series of "mergers" public utility matters in the main were neatly "sewed up" for a long time to come, most of the franchise grants being either for a long term or indefinite.

The significance of these segregations thus far amounts to this: the principal public utilities of Cincinnati and her suburbs are now united in a close holding concern, the Columbia Gas & Electric Co., whose avowed purpose—"to control public service corporations especially in Cleveland and Cincinnati"—seems from the growing similarity of the men and interests involved to be rapidly reaching consummation, inasmuch as the almost perfected consolidation of the traction and electricity interests of Cleveland will render possible inter-city consolidation at one stroke.

Turning to Toledo and Columbus, we find the situation admirably prepared for the state-wide consolidation. It would take too long to review the history of the local "mergers" which have been going on in each place, and we shall content ourselves with a brief summary of the results thus far obtained.

In the first-named city, the Toledo Railways & Light Co. is the dominant public service corporation. Incorporated in July, 1901, in Ohio, it now "controls all the street railway, electric lighting, gas, hot water heating and power business of the city." Its holdings include the entire capital stock of the Toledo & Maumee Valley Railway, the Toledo, Waterville & Southern R.R., the Toledo Ottawa Beach & Northern Railway, the Toledo Gas, Electric & Heating Co., the Toledo & Western R.R. Co. and the Ottawa Park Street Railway. The concern is controlled by the well-known Everett-Moore syndicate, both of whose chief members are heavily interested in the Cincinnati-Cleveland concern—the Columbia Gas & Electric Co. It is readily seen that only a stroke of the pen will be needed to effect a consolidation of the Toledo concern with the big merger.

In Columbus, public utilities are in almost as close a state of cohesion as in Toledo, and the combination effected is ready for absorption by the state "combine" as soon as the latter will make the necessary overtures. The Columbus Railway & Light Co., incorporated under the laws of Ohio in May, 1903, has acquired a long-term lease control over the properties of the Columbus Railway Co., the Columbus Edison Co., the Columbus Traction Co., and the Columbus Light, Heat & Power Co. Only one or two more steps

are needed to complete the work of consolidation, and conditions are at present very favorable for this purpose. Apparently all that is needed is the master hand of Mr. A. S. White of Cincinnati, or of Mr. Everett and Mr. Moore of Toledo to achieve the *coup*.

The work of state consolidation, therefore, centers upon the welding-together of the two Cleveland public utilities and the Columbia Gas & Electric Company. Thence the movement should spread to Toledo and take in the merged public utilities of that city; afterward proceeding to Columbus whose corporations in the interim will have perfected a local unification.

In conclusion, it will be interesting to note another direction in which the consolidation of public utilities is being effected. This is revealed in the activities of the East Ohio Gas Co., a concern controlled by the Standard Oil Co. and supplying natural gas to cities in eastern Ohio, Kentucky, West Virginia, and western Pennsylvania. Up to a few months ago the methods of the company disclosed nothing unusual, its mode of expansion being geographical in character. The absorption, however, in February of this year, of all its artificial gas competitors in Cleveland and Cuyahoga County throws a new light upon its underlying ambition. From this action and the frank admissions of its president, Mr. M. B. Daly, it is now clear that the more fundamental purpose of the company is to force all the artificial gas plants of the large cities in its district out of business, and to gain control of the gas business in the above-mentioned states. The legal road to this goal is clear. An opinion handed down by Attorney-General Denman of Ohio declares that there are no statutory obstacles in the way of this or any other form of public utility consolidation. The rather indefinite provisions of the Valentine anti-trust law form the only hindrance; and these were felt to be too inadequate to be made the basis of an action of dissolution. Moreover, by a recent decision[1] of the Supreme Court of Ohio, which affects every public utility in the state, the potentialities of consolidation, in the estimation of corporation lawyers, have been considerably increased. According to the court, franchises containing no specific time limit and sought to be defined as to rates, etc., by ordinance or other act of local legislative bodies, cannot be enforced against the company's right to withdraw, if any conditions attempted to be imposed are not found agreeable. In actual practice, this will mean that where a monopoly of local utili-

[1] *Vide East Ohio Gas Co.* v. *City of Akron* (October 19, 1909).

ties has been secured by a concern like the Columbia or East Ohio company, the municipality will have nothing to do in making rate agreements except to accede to the company's best offer, for the law will permit the company temporarily or permanently to shut down its plant and leave the city to choose between acceptance and going without the service.

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POLITICAL CONSISTENCY AND THE COST OF LIVING

The present controversy as to the causes of the increased cost of living, or, in other words, the rise of the level of general prices since 1897, brings into prominence the looseness of thinking which is characteristic of the leaders of both political parties in dealing with legislative measures of economic or financial import. It also clearly demonstrates that financial heresies and delusions, which are utilized at one time for reasons of political expediency, may return at a later period as a cause of mockery and discomfiture.

A large and prominent body of people are attributing the higher price of goods at the present time to the extraordinary increase in the production of gold during the past ten years. This contention assumes that prices of goods are regulated by a comparison of goods directly with gold coin, or with money in circulation; and in the present instance the supply of gold money or coin having undergone a remarkable increase, there is more money available to buy goods and, consequently, the purchasing power of gold has declined, or, what is equivalent, more gold is offered for goods and the value of goods as expressed in gold has risen.

Identically the same point of view was put forward by the Democratic party under the leadership of Mr. Bryan in the election of 1896. The fundamental argument of the Democratic leader at that time was that prices were a ratio resulting from the comparison of commodities with the money available for the purchase of commodities. Proceeding from this basis, he argued that the low prices then existing were due to the curtailment of the supply of money which had been brought about by the demonetization of silver, or the limitations which had been placed on the coinage of silver. The opponents of the free coinage of silver, on the other hand, asserted that the low level of prices in 1896 was not effected by the amount